BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED

FEB 19 1 14 rd '98

POSTA...
OFFIC...

Postal Rate and Fee Changes, 1997   )   Docket No. R97-1

REVISED ANSWER OF
OFFICE OF THE CONSUMER ADVOCATE
WITNESS CALLOW
-     (February 19, 1998)

The Office of the Consumer Advocate hereby submits a revised answer to

interrogatory USPS/OCA-T500-28, initially filed on February 3, 1998. The revisions to

the answer to USPS/OCA-T500-28 change the first sentence in part "(a)" by deleting

the phrase "mean is divided by the standard deviation" and inserting "standard

deviation is divided by the mean." Also, in part "(a)," in the fourth column of the table,

delete the heading "Mean / Std. Dev." and insert "Std. Dev. / Mean." In part "(d)," the

first sentence is changed by deleting the phrase "mean is divided by the standard

deviation" and inserting "standard deviation is divided by the mean." These revisions

are being made to conform this answer with the response to USPS/OCA-T500-43.

The revised answer to part "(f)" changes the second sentence by deleting the

second "in" and inserting "is." The revised answer is attached.

Respectfully submitted,

Shelley S. Dreifuss

SHELLEY S. DREIFUSS
Attorney
Office of the Consumer Advocate

Revised 2-19-98

ANSWERS OF OCA WITNESS JAMES F. CALLOW
TO INTERROGATORIES USPS/OCA-T500-22-28

USPS/OCA-T500-28. Please refer to your testimony at page 72, lines 12-13, where you state that:

Restructuring Fee Groups C and D based upon CAG produces more rent-homogeneous fee groups that better reflect cost in larger and smaller offices.

(a)   With reference to the upper table on page 15 of OCA-LR-2, please confirm that the coefficients of variation for new groups CD1, CD2, and CD3 are 76.6 percent, 64.3 percent, and 47.7 percent, respectively. If you do not confirm, please explain why not.
(b)   With reference to the upper table on page 15 of OCA-LR-2, and considering those rents (RCSF) that are within one standard deviation of the mean rent for each of groups CD1, CD2, and CD3, please confirm that there is substantial overlap of the variable RCSF among these three groups. If you do not confirm, please explain why not.
(c)   Based on the coefficients of variation and the overlap of rents for new groups CD1, CD2, and CD3, do you consider each of these new groups to be "rent-homogeneous"? Please explain your reasoning.
(d)   With reference to the lower table on page 15 of OCA-LR-2, please confirm that the coefficients of variation[ ] for rental cost per square feet for CAGs A through L range from 45.5 percent (CAG J) to 80.7 percent (CAG A). If you do not confirm, please explain why not.
(e)   With reference to the lower table on page 15 of OCA-LR-2, and considering those rents (RCSF) that are within one standard deviation of the mean rent for each CAG, please confirm that there is substantial overlap of the variable RCSF among the CAGs. If you do not confirm, please explain why not.
(f)   Based on the coefficients of variation and the overlap of rents that can be derived from the lower table on page 15 of OCA-LR-2 for each CAG, do you consider each of CAGs A through L to be "rent-homogeneous"? Please explain your reasoning.
(g)   Please provide a version of the upper table on page 15 of OCA-LR-2 that divides groups CD1, CD2, and CD3 into the fee groups you propose in your testimony – C-I, C-II, C-III, D-I, D-II, and D-III.

A.   (a)   [Please note this answer is being revised to conform with the response to

USPS/OCA-T500-43.] Although I am not a statistician, I am aware that when the

standard deviation is divided by the mean for CD1, CD2 and CD3, I obtain the

percentages 76.6, 64.3 and 47.7 cited in part (a) of the interrogatory. Please note that I

ANSWERS OF OCA WITNESS JAMES F. CALLOW
TO INTERROGATORIES USPS/OCA-T500-22-28

did not rely on such comparisons in developing my groups. It should also be noted

that, using the same calculation, the percentages for new groups CD1 and CD2 are

smaller than the percentage calculated for delivery group C, and the percentage for

CD3 is smaller than the percentage for delivery group D. *See* table below.

USPS GROUP	Mean	Std. Dev.	Std. Dev. / Mean
A	$23.49	17.1993379	73.2%
B	$16.74	10.6920571	63.9%
C	$7.71	6.0529773	78.6%
D	$6.00	2.8884734	48.1%
E	$7.19	3.8095395	53.0%

Source: US Postal Service LR-H-188 at 23 and 24.

(b) While it is apparent that there is overlap among the groups CD1, CD2 and

CD3, I am unable to confirm whether it constitutes "substantial" overlap. *Compare* OCA

Groups A, B, CD1, CD2 and CD3 with USPS Groups A, B, C and D, below.

OCA GROUP	Mean	Std. Dev.	Mean - Std. Dev.	Mean + Std. Dev.
A	$23.49	17.1993379	6.2911601	40.6898359
B	$16.74	10.6920571	6.0510012	27.4351154
CD1	$9.05	6.9274203	2.1220541	15.9768947
CD2	$7.05	4.5347886	2.5127599	11.5823371
CD3	$5.79	2.7621283	3.0250878	8.5493444
E	$7.19	3.8123217	3.3812584	11.0059018

Source: OCA-LR-2 at 15.

ANSWERS OF OCA WITNESS JAMES F. CALLOW
TO INTERROGATORIES USPS/OCA-T500-22-28

USPS GROUP	Mean	Std. Dev.	Mean - Std Dev	Mean + Std Dev
A	$23.49	17.1993379	6.2911601	40.6898359
B	$16.74	10.6920571	6.0510012	27.4351154
C	$7.71	6.0529773	1.6521167	13.7580713
D	$6.00	2.8884734	3.1126676	8.8896144
E	$7.19	3.8095395	3.3837174	11.0027964

Source: US Postal Service LR-H-188 at 23 and 24.

(c)   Yes. In developing my new groups, C-I, C-II, C-III, D-I, D-II and D-III, I found that the average rental costs for each new group was more rent-homogeneous than the average for their respective delivery groups as a whole. See OCA-T-500 at 16-17.

(d)   [Please note this answer is being revised to conform with the response to USPS/OCA-T500-43.] Although I am not a statistician, I am aware that when the standard deviation is divided by the mean for CAGs A through L, I obtain percentages for the CAG levels that range from 45.5 percent (CAG J) to 80.7 percent (CAG A). Please note that I did not rely on such comparisons in developing my groups.

(e)   While it is apparent that there is overlap among the CAG levels, I am unable to confirm whether it constitutes "substantial" overlap.

(f)   See response to (c) above. In any event, the rent homogeneity of individual CAG levels is irrelevant to my proposal because my new fee groups are based on groupings of several CAG levels.

(g)   See attached table. See also OCA-T-500, Table 2.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.

Shelley S. Dreifuss

SHELLEY S. DREIFUSS
Attorney

Washington, D.C. 20268-0001
February 19, 1998